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ABSTRACT

Suggestions on how to enhance a college's fund-raising abilities are presented. Six sections are as follows: exemplary performers (noting the relationships between amounts raised and strategies employed); what works and what does not work in fund-raising (an institution's public visibility is important, and a poverty strategy is not); whether successful athletic programs enhance support (athletic success tends to result in larger contributions to athletic programs with spillovers to academic programs); how tax laws affect voluntary support (though recent tax code revisions raised serious concern that the levels of voluntary support of higher education might decline, some indicators suggest that the decline might not be as serious as forecast); new ideas in nonprofit research, focusing on an 1988 study by Weisbrod that shows that a tax increase of 10% may result in philanthropic declines of as little as .1% or as much as 2.54%); and what is in store for the future (suggesting a broad, national database of higher education donors to provide the sorts of information social scientists require to test propositions). Contains 10 references. (SM)

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ERIC DIGEST

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Enhancing a College's Fund-Raising Ability

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Research in higher education fund-raising has increased substantially for several years. In the early 1980s only a few empirical works were available, spread sporadically over more than 20 years. Most pertinent, up-to-date research concerning U.S. fund-raising came from the Filer Commission of the 1970s, and its research applied to voluntary support overall, not to higher education specifically. Today there is a fairly good, though not overabundant, literature concerning donor behavior. More is on the way.

Who Are the Exemplary Performers and Why?

What can higher education institutions do to increase fund-raising ability? Who is successful at it? One approach is to examine the relationship between amounts raised and strategies employed. However, variations in strategies often are small; essentially, everybody does everything. A survey of 575 institutions found that 75% of respondents employed all 11 fund-raising strategies listed (Loessin, Duronio and Borton 1988).

The more fruitful approach is to build a model to "predict" fund-raising effectiveness and then insert an institution's variable values. The model can help to determine whether an institution is collecting more, or less, than the average institution.

For instance, John Dunn, Jr., and Associates selected the Top 50 institutions in terms of total voluntary support and "leverage." They determined that the size of endowment and operating budget were the major factors in raising funds, but that leverage was not explained at all well by the variables.

The strong power of prediction endowment size has suggested that successful fund-raisers build fund-raising traditions through tried and true strategies. The explanatory power of high educational and general budgets was taken to reflect the relations between large budgets and institutional prestige. During the seven years examined by Dunn and Associates, the largest amounts were raised, in order, by Harvard, Stanford, Yale, Cornell, Columbia, Minnesota, the Massachusetts Institute of Technology, the University of Southern California, Princeton, and Pennsylvania. Rates of increase were greatest at Washington University, Cal Tech, Penn State, Ohio State, Virginia, Carnegie-Mellon, and Washington, Georgia, Illinois, and Stanford universities. Leverage was greatest at small, mostly church related colleges.

What Works in Fund-Raising—and What Doesn't?

Research by Leslie and Ramey (1988) tried to infer donor behavior from institutional and regional characteristics and from institutional actions. They composed separate models for the various donor groups and for individual donors, and suggested marketing stratgies from the results. The conclusion was that an institution's public visibility is important to fund-raising, and that a "poverty strategy" is not, except for alumni. Most donors like to give to thriving institutions that already are targets of public largess, although alumni respond to a perception of institutional need. Longstanding ties between institutions and organizational contributors are important. Businesses seek financial associations with institutions in propsering areas. Overall, organizations tend to respond in rational economic fashion, whereas the behaviors of individuals involve a human dimension as well.

Do Successful Athletic Programs Enhance Support?

A question of recent origin is whether intercollegiate athletics increase, or diminish, support of regular university programs. One argument is that athletics contribute to institutional prestige, or to institutional visibility. The counter claim is that athletic programs channel resources away from academic enterprises. Coughlin and Erekson (1984, 1985, 1986) based the prestige-quality thesis in utilitarian terms: Institutions seek to get the most out of prestige or quality, much as business firms seek to get maximum profits.

Coughlin and Erekson (1986) selected 52 universities from major athletic conferences, plus certain independents, and related both state aid and voluntary support to four measures of athletic success: winning football and basketball percentages, and National Collegiate Athletic Association and television appearances. The authors found that the amount of state aid per student associated positively with athletic variables, particularly basketball success. They showed that athletic success resulted in larger contributions to athletic programs (1984, 1985). They also demonstrated spillovers to academic programs, showing that corporate and alumni donations to both current and capital funds associated positively with athletic success (1986).

How Do Tax Laws Affect Voluntary Support?

Recent tax code revisions raised serious concern that the levels of voluntary support of higher education might decline. The year the changes were passed saw an unusual increase in private giving, an increase attributed largely to taxpayers hurrying to take advantage of a closing window of opportunity for deductions. Nonetheless, for 1989 some indications suggest that the decline may not be as serious as forecast.

Because good data for higher education is lacking, it is necessary to borrow estimates of tax code effects upon giving from

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the public sector overall, and then try to predict what the effect on higher education might be. This is important because the voluntary support of the wealthy is crucial to higher education. The top one percent of taxpayers was responsible for 68 percent of all giving to education in 1962 (the only year of available IRS data). There are no strong reasons to believe, however, that behaviors for overall giving are similar to those for higher education. Donors probably view donations to churches and hospitals, for example, as taking precedence over giving to colleges and universities.

While the tax law revisions were under discussion, Auten and Rudney (1986) used overall "elasticities" (comparing how a percentage change in one factor might affect a percentage change in another factor) to estimate the effects of proposed tax law changes on higher education giving. They concluded that donations from the most wealthy could decline by as much as 61% overall. They estimated general declines of 23% to 39%. They observed, however, that corresponding declines did not occur after the tax law changes of 1982.

What's New in Nonprofit Research?

Another study (Weisbrod 1988) established the role of nonprofits in the national economy, and compared the advantages and constraints of nonprofits with those of nonprofit private and government sectors. The connections between incentives and performance were also examined, as well as how nonprofits succeed and prosper without the profit motive; revenues that nonprofits generate from sales and their use of volunteer labor were also considered. Tackling the question of whether nonprofits really are different, the author made recommendations for public policy.

Of particular interest is Weisbrod's approach to factors influencing voluntary giving. He dispelled the notion that donors will stop contributing if the opportunity for a "free ride" (others will pay) exists. After studying 16 econometric (economic-statistical) studies, he concluded that a tax increase of 10 percent may result in philanthropic declines of as little as .1 percent, or as much as 2.54 percent. Comparing the effects of donor knowledge of fund-raising costs with donor willingness to give, he further concluded that the effects can be quite negative.

Additionally, Weisbrod's examination of the fundamental motives or goals of nonprofits found that they seek primarily to generate as large a budget as possible. Regarding whether governmental spending can "crowd out" private donations, he answered that cash transfers to the poor crowd out private giving, whereas spending on social services such as health and housing have the opposite effect.

Where Do We Go From Here?

Much remains to be learned about donor behavior. Aside from a few, mostly cursory, analyses of donors to single institutions and the limited generalizations inferred from the institutionally-based data of the Council for Aid to Education, research is very limited. What is needed is a broad, national database of higher education donors, one that could provide the sorts of information social scientists require to test their propositions.

About two years ago, the research committee of the Council for Advancement and Support of Education (CASE) appropriated $10,000 to begin preliminary work on building such a database. The Center for Philanthropy followed with an equal contribution. The initial effort studied the nature of data colleges and universities maintain in files. It was hoped that existing files could be added to, or improved, to yield a broad sample of donors to many institutions.

Unfortunately, institutions' files are severely lacking. Indeed, if the institutions are representative—and there are good reasons to believe they are—U.S. higher education institutions know almost nothing about their donors. In short, the utility of existing data sources nearly is depleted. Before additional advances in knowledge can be made, a national donor database must be built and maintained.

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